

TARIFF ACTION MEMO

Date: December 28, 2022

Date Filed: November 30, 2022

Statutory End Date: December 30, 2022

File No: TL67-303

Name of Utility: Cook Inlet Pipe Line, LLC

Subject: Annual Transportation Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 14 filed on November 30, 2022, with an effective date of January 1, 2023. A side-by-side copy is attached as Schedule BKC-1.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Brenda Cox Title: Utility Financial Analyst
Brenda Cox

Commission decision regarding this recommendation:

	<u>Date (if different from 12/28/22)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KKI</u>		
Doyle		<u>Rme</u> for RAD BP		
Pickett		<u>Rme</u> BP		
Sullivan		<u>DS</u>		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: December 28, 2022

From: Brenda Cox, Utility Financial Analyst

Subject: Annual Transportation Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 14 filed on November 30, 2022, with an effective date of January 1, 2023. A side-by-side copy is attached as Schedule BKC-1.

Background

The State of Alaska (State) and Cook Inlet Pipe Line Company (CIPL) were parties to a Settlement Agreement and five amendments.¹ Under this Settlement Agreement, CIPL filed TL63-303 on November 27, 2019, requesting a rate increase from \$5.61 per barrel (bbl) to \$8.57 per barrel. TL63-303 was suspended for further investigation into docket P-20-005 and a temporary rate was established equal to the filed rate, subject to refund with interest.² On November 17, 2020, the State and CIPL filed a stipulation

¹ Order P-92-005(31)/P-95-004(17), *Order Accepting Settlement Agreement, as Amended, Accepting Past Rates; Vacating Suspension of Current Rate; Vacating Requirement to File Notification of Intrastate Shipments; Precluding Carrier from Collecting Funds for Dismantling, Removal, and Restoration from Future Shippers; and Requiring Filing of Schedule of Funds Collected for Dismantling, Removal, and Restoration*, dated September 10, 2001, as corrected by *Errata Notice*, dated October 4, 2002; Order P-92-005(32)/P-95-004(18), *Order Granting Reconsideration and Conditionally Accepting Settlement Agreement*, dated October 29, 2001; Order P-92-005(33)/P-95-004(19), *Order Approving Agreement of the State of Alaska and Cook Inlet Pipe Line Company on Rate Base and Accumulated Depreciation and Finalizing Acceptance of Settlement Agreement*, dated February 12, 2002. We accepted a second amendment in Order P-07-005(15)/P-08-003(11)/ P-08-007(13)/P-09-001(4), dated August 21, 2009; a third amendment in Order P-15-021(3), dated November 3, 2016; a fourth amendment in Order P-17-003(2), dated September 14, 2017; and a fifth amendment in Order P-18-005(5), dated December 19, 2018.

² Order P-20-005(1), *Order Suspending TL63-303; Establishing Temporary Rate Equal to Filed Rate, Subject to Refund; Approving Tariff Sheet; Granting Petition to Intervene; Inviting Participation by the Attorney General and Intervention; Designating Commission Panel; and Appointing Administrative Law Judge*, dated December 26, 2019.

resolving all disputed issues in this proceeding (Stipulation)³ attached to the Stipulation was a Settlement Agreement.⁴ An unopposed motion for expedited consideration of the Stipulation was also filed.⁵ On November 25, 2020, the Commission granted the Unopposed Motion for Expedited Consideration of Stipulation, accepted the Stipulation Resolving Disputed Issues, accepted the Settlement Agreement (New Settlement Agreement) between the State and CIPL, and established \$8.57/bbl as the permanent intrastate rate, effective January 1, 2020.⁶

Under the New Settlement Agreement, CIPL is required to file, by December 1 of each year, revised Intrastate rates to be effective on January 1, of the following calendar year. The rates filed may not exceed the maximum rates calculated under the CIPL Settlement Methodology (CSM).⁷ CIPL is required to provide the State with all supporting data to calculate the maximum rates 60 days prior to filing its revised rates.⁸

On December 1, 2020, CIPL filed TL65-303, to increase the rate from \$8.57/bbl to \$12.57/bbl, effective January 1, 2021. On December 23, 2020, the Commission approved Tariff Sheet No. 13, filed on December 1, 2020.⁹

On September 30, 2021, CIPL and the State filed a Stipulation to Accept First Amendment (First Amendment) to the CIPL Settlement Agreement. The First Amendment proposed to amend Section I.1 by replacing the definition of the term “Operating Expenses” and replacing Section II-4(a). Both of these Sections add “and 620” to the account numbers referenced.¹⁰ On October 22, 2021, the Commission accepted the First Amendment.¹¹

³ Order P-20-005(5), *Stipulation Resolving Disputed Issues, Request to Close Docket, and Joint Application to Accept CIPL Settlement Agreement*, dated October 22, 2021.

⁴ Settlement Agreement Cook Inlet Pipe Line, LLC November 16, 2020.

⁵ See *Unopposed Motion for Expedited Consideration of Stipulation*, filed November 17, 2020.

⁶ See Order P-20-005(4), *Order Granting Expedited Consideration, Accepting Stipulation And Settlement Agreement, And Closing Docket*, dated November 25, 2020.

⁷ See Section I-5 (B)(a).

⁸ See Section I-6(a).

⁹ See Letter Order No. L2000460, dated December 28, 2020.

¹⁰ These changes relate to including Account 620 of the Uniform System of Accounts.

¹¹ See *Order Reopening Docket, Accepting Stipulation and First Amendment to Settlement Agreement, Designating Commission Panel, Appointing Administrative Law Judge, and Closing Docket*.

On November 30, 2021, CIPL filed TL66-303, to increase the rate from \$12.57/bbl to \$15.42/bbl, effective January 1, 2022. On December 29, 2021, the Commission approved Tariff Sheet No. 14, filed on November 30, 2021.¹²

Filing

On November 30, 2022, CIPL filed TL67-303, proposing to decrease its rate for the intrastate transportation of petroleum from Granite Point or Trading Bay in the Kenai Peninsula Borough, to the Swanson River Oil Pipeline, from \$15.42/bbl to \$12.84/bbl, effective January 1, 2023. TL67-303 included a copy of Tariff Sheet No. 14, a hard copy printout of the 2023 rate model, supporting data, and CIPL's subscribers list.¹³ CIPL indicated a copy of Tariff Sheet No. 14 had been sent to each subscriber on CIPL's subscribers list.¹⁴ CIPL asserted the decrease in rates is primarily due to an \$8 million decrease in prior year carryover.¹⁵

CIPL advised the supporting data had been provided to RAPA on September 29, 2022.¹⁶ Although the Commission did not impose any condition on CIPL to provide a disk containing the calculation of the rates using the CSM on December 2, 2022, CIPL provided Staff the 2023 rate model and Staff held it confidential pursuant to 3 AAC 48.040(b)(10).¹⁷

Notice

The Commission publicly noticed TL67-303 on December 5, 2022, with a comment period ending December 27, 2022. No comments were filed.

¹² Letter Order No. L2100422, dated December 29, 2021.

¹³ TL67-303, at 2.

¹⁴ TL67-303, at 1.

¹⁵ See Supplement filed December 5, 2022.

¹⁶ See Supplement filed December 5, 2022.

¹⁷ 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

Discussion

CSM

Staff reviewed the components of the New Settlement Agreement and the First Amendment,¹⁸ the confidential Excel schedules provided with TL67-303 and verified the rates were calculated in accordance with the CSM. Staff reviewed the Settlement Agreement noting the total cost of service is calculated as follows: (Operating Expenses + DR&R Allowance + Depreciation Expense + Depreciation of Decommissioned Assets + Amortization of Capitalized MMI + Equity AFUDC Allowance + IDC Amortization + Return on Rate Base + Return on Decommissioned Assets + Income Tax Allowance + Net Carryover).¹⁹ Under the CSM, the maximum rate is calculated by dividing the projected cost of service by throughput of crude petroleum.²⁰

Staff verified that the stipulated balances²¹ and rates of return²² have been properly utilized in CIPL's TL67-303 rate calculation and that the calculation otherwise appears to comply with the New Settlement Agreement. Staff also reviewed the model and verified CIPL's assertion²³ that the carryover decreased by \$8 million between 2022 and 2023.²⁴

Staff has not recalculated the model's computations, but rather accepts that the CSM model accepted by the Commission in Order 4,²⁵ functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the 2023 rate calculation because much of the 2023 rate calculation is derived from company estimates, to which Staff does not have access. Therefore, Staff is relying

¹⁸ See Sections II-3, II-5 (a) & (b), II-6(d), II-7(b), II-8(h) & (i), II-9 (f) & (g), II-10, II-11(d), II-12, II-13, II-14, II-15(a), II-16(c), II-17, and II-18 of the New Settlement Agreement and Sections I.1 and II-4(a) of the First Amendment.

¹⁹ See Section II-3 of the New Settlement Agreement.

²⁰ See Section II-1(c) of the New Settlement Agreement.

²¹ See Sections II-5(a) & (b), II-6(d), II-7(b), II-8(h) & (i), II-9(f) & (g), II-10, II-12, II-14(e) and II-15(a) of the New Settlement Agreement.

²² See Section II-11(d) of the New Settlement Agreement.

²³ See Supplement filed December 5, 2022.

²⁴ Staff compared the Carryover on line 11 of Schedule 1, Page 1 of 2, between 2022 - \$11,621 and 2023 - \$3,828 the difference is \$7,793.

²⁵ Order P-20-005(4), dated November 25, 2020.

on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the CSM.

Tariff Sheet

CIPL filed a revised Tariff Sheet No. 14, reflecting the proposed rate decrease. Staff reviewed the Tariff Sheet and verified the rate was accurate. Staff recommends the Commission approve Tariff Sheet No. 14, as filed, effective January 1, 2023.

Conclusion

Staff's review of TL67-303 indicates that CIPL's proposed rate revision, as calculated, is less than or equal to the maximum allowable rate in accordance with the New Settlement Agreement and the First Amendment. Staff recommends the Commission approve Tariff Sheet No. 14, filed in TL67-303 on November 30, 2022, effective January 1, 2023.

Signature: Keith Kurber II
Keith Kurber II (Dec 28, 2022 08:38 AKST)

Email: keith.kurber@alaska.gov

Signature: Robert M. Pickett

Email: bob.pickett@alaska.gov

Signature: Daniel Sullivan
Daniel Sullivan (Dec 28, 2022 10:01 AKST)

Email: daniel.sullivan@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Dec 28, 2022 10:16 AKST)

Email: janis.wilson@alaska.gov

RCA No. 752

Eighth Revised

Sheet No. 13**RECEIVED****NOV 30 2021**STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Cancelling

Seventh Revised

Sheet No. 13**SWANSON RIVER OIL PIPELINE, LLC**

	<u>FROM</u>	<u>TO</u>	<u>RATE CENTS PER BARREL OF 42 UNITED STATES GALLONS</u>	
3.1	Swanson River Field, Kenai Peninsula	Tie-In Point with KPL Facilities at Nikiski Marine Terminal	142	[I]

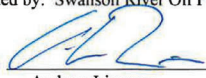
[I] denotes an increase

TL9-752

Effective: January 1, 2022

Issued by: Swanson River Oil Pipeline, LLC

By:


 Andrew Limmer

 Title: Vice President, Harvest Alaska, LLC
 Member of Swanson River Oil Pipeline, LLC
RCA No. 752

Ninth Revised

Sheet No. 13

TARIFF SECTION

**RECEIVED
NOV 30
2022**

RCA

Cancelling

Eighth Revised

Sheet No. 13**SWANSON RIVER OIL PIPELINE, LLC**

	<u>FROM</u>	<u>TO</u>	<u>RATE CENTS PER BARREL OF 42 UNITED STATES GALLONS</u>	
3.1	Swanson River Field, Kenai Peninsula	Tie-In Point with KPL Facilities at Nikiski Marine Terminal	389	[I]

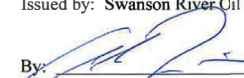
[I] denotes an increase

TL10-752

Effective: January 1, 2023

Issued by: Swanson River Oil Pipeline, LLC

By:


 Andrew Limmer

 Title: Vice President, Harvest Alaska, LLC
 Member of Swanson River Oil Pipeline, LLC